

**CALIFORNIA CULTURAL AND HISTORICAL ENDOWMENT
FINDINGS OF FACT
AND
STATEMENT OF OVERRIDING CONSIDERATIONS

REGARDING

TANNERY ARTS CENTER-REHABILITATION AND REUSE OF THE
HISTORIC SALZ TANNERY PROJECT**

The California Cultural and Historical Endowment (CCHE), as a Responsible Agency, will fund part of the Tannery Arts Center Rehabilitation and Reuse of the Historic Salz Tannery Project, and has independently considered the Environmental Impact Report (EIR) prepared for the Project by the Lead Agency, the Redevelopment Agency of the City of Santa Cruz. The final EIR was adopted by the City on June 14, 2005.

As a Responsible Agency, CCHE makes its own Findings of Fact and Statement of Overriding Considerations pursuant to Sections 15091 and 15093 of the State CEQA Guidelines, as provided by Section 15096(h) of the Guidelines.

The Tannery Arts Center Rehabilitation and Reuse of the Historic Salz Tannery Project

The Project involves the redevelopment and historic reuse of a former tannery into a multi-use arts center that will include the following uses: 100 affordable residential rental units; 55,000 square feet of artist studio space; a 250-seat theater and a smaller 150-seat theater with approximately 4,000 square feet of dance rehearsal and support space; an "Arts and Education Center" with 40,000 square feet of office and studio for arts organizations, a 75-seat theater, and a 6,600 square feet for arts education; and 12,500 square feet of retail space for a café, art gallery and other retail uses.

The project site is in the City of Santa Cruz on an 8.3-acre site comprised of a total of 3 parcels located west of Highway 17 and the San Lorenzo River, east of the Harvey West industrial area, and just north of the intersection of Highways 1 and 9.

The project will be developed generally in the same area as the existing buildings and historic buildings will be retrofitted for reuse. Five existing structures will be rehabilitated, include relocation onsite of one small building. Eight existing non-historic buildings will be demolished, and four new buildings will be constructed. In addition to approval of City planned development, use and design permits, a zoning text amendment and rezoning will be required for the proposed heights of the new residential and Arts Center buildings (that exceed two stories and 50 feet in height).

In addition, a total of 394 on-site parking spaces are provided within surface lots and spaces sited below residential structures. The project also includes construction of sidewalks and frontage improvements along River Street north of Encinal Street and development of a bicycle/pedestrian path adjacent to the San Lorenzo River with a planned future connection through the site to River Street. The site will be served by existing water, sewer, storm drain and utility lines.

Portions of the Project to be Funded by CCHE

When considering mitigation measures, a Responsible Agency is more limited than a Lead Agency. A Responsible Agency has responsibility for mitigating or avoiding only the direct or indirect environmental effects of those parts of the Project which it decides to carry out, finance or approve. The portions of the Tannery Arts Center Rehabilitation and Reuse of the Historic Salz Tannery Project to be funded by CCHE include funding for the restoration of two of the four historic structures on the project site: Tanyard and Beam House.

Findings on Unavoidable, Significant and Potentially Significant Impacts Identified in the EIR

Pursuant to and in accordance with Section 21081 of the Public Resource Code, the EIR examined the potential for adverse effects to result from Project implementation. The following environmental impact issue areas were examined: (A) Biological Resources (special status species); (B) Hydrology (exposure to flood hazards and water quality); (C) Geology and Soils (exposure to seismic hazards); (D) Hazardous Materials; (E) Historic Resources (building relocation and new construction) (F) Hydrology and Water Quality; (G) Noise; (exposure to ambient noise levels that exceed standards); (H) Traffic; (I) Cumulative Impacts (project contribution to water supply demand).

Some of the significant effects can be fully avoided through the adoption of feasible mitigation measures. Others cannot be avoided by the adoption of such measures or feasible environmentally superior alternatives. However, these effects are outweighed by the overriding considerations. The findings, impacts and mitigation measures applicable to the Project are noted below. The numbers of the impacts and mitigation measures are those found in the EIR.

(A) BIOLOGICAL RESOURCES

(Potentially Significant Impact)

Impact 2-1: Impact on special-status bat species.

Demolition and renovation of existing abandoned tannery buildings could disrupt potential roosting habitat for special-status bat species.

Mitigation Measure 2-1: If demolition or renovation activities commence during the breeding season of native bat special (April 1 through August 31); require that a field

survey be conducted by a qualified biologist to determine if active roosts of special-status bats, such as pallid bat, are present in the buildings. The field survey shall be conducted in late April or early May, when bats are establishing maternity roosts, but before pregnant females give birth. If no roosting bats are found, no further mitigation would be required. If roosting bats are found, bats should be excluded from establishing maternity roosts in the buildings by installing exclosures. If these actions do not result in exclusion, a qualified biologist in possession of an applicable Department of Fish and Game Memorandum of Understanding should remove and relocate the roosting bats.

Finding: The potentially significant impacts of the project on biological resources (special status bat species) will be mitigated to a less-than-significant level by the imposition of a mitigation measure as described above. Changes or alterations have been required in, or incorporated into, the project, which avoid or substantially lessen the significant environmental effect as identified in the final EIR.

Facts: Although the project areas does not offer high quality habitat for bat species, the abandoned buildings on the site could provide suitable roosting habitat for special-status bats, which could be directly impacted by the demolition or renovation of the buildings. While a bat survey of the buildings revealed no bats or evidence of bat occupation to date, there is still some potential that bats could roost in these buildings prior to demolition or renovation. With implementation of mitigation measure 2-1, pre-construction surveys would ensure that any species potentially present would not be impacted.

(B) HYDROLOGY

(Significant Impact)

Impact 3-1: Exposure to flood hazards.

Project development will exposure new and existing buildings and their occupants to flood hazards.

Mitigation Measure 3-1: Notify all tenants and residents of potential flood hazards, and advise that flood-tolerant contents be located on the first floor and that sensitive equipment and materials are located above the site flood elevations.

Mitigation Measure 3-3: Require that all storage of chemicals and wastes be situated in contained, floodproofed areas.

Mitigation Measure 3-4: Develop and implement an emergency response and evaluation plan to warn site tenants, users, and residents in advance of need to evacuate the property in the event of a flood. The following mitigation measures will be required to reduce the impact to less than significant impact.

Findings: The significant impacts of the project related to exposure to flood hazards on the site cannot be mitigated to a less-than-significant level by the imposition of mitigation

measures as described above. Therefore, the impact would remain significant and unavoidable with implementation of the project.

Changes or alterations have been required in or incorporated into the project, which would lessen the significant environmental effect as identified in the Final EIR, but not to a less-than-significant level.

Facts: The majority of the project site and proposed uses (except the northwestern portion of the site) are located within the 100-year floodplain mapped by FEMA, and will be subject to flooding. Significant portions of the site will be subject to flooding in smaller, more frequent flood events. The new residential buildings will be constructed within the floodway on piers with the ground level used for parking and the upper levels used for habitable uses. The habitable areas will be elevated above the flood elevations, but flood events could result in damage to vehicles on the ground level or temporarily strand residents if adequate notice is not provided regarding flood events and potential need to evacuate. The residential structures will be located within a floodway, by definition of a flood hazard area and a location where the construction has potential to impede flood flows. However, because any obstruction to flood flows is expected to be less than currently exists, due to demolition of existing structures in the floodway and development with less physical area, this is considered a less-than-significant impact.

While the new buildings will be elevated or flood proofed, the other existing buildings that will be rehabilitated for studio, theater and other non-residential uses, are not proposed to be elevated or flood proofed due to historic conditions of these buildings. Thus, these buildings will continue to be subject to flooding and potential damages to contents located on the ground floor. Additionally any supplies or chemicals that are located on ground floors of flooded areas could result in water quality impacts. According to the flood hazard assessment, if these buildings cannot be raised, flood-tolerant uses should be planned for elevations below the estimated flood evaluation

Implementation of Mitigation Measures 3-1 through 3-4 will help reduce, although not eliminate, the exposure to flood hazards for existing buildings.

(C) GEOLOGY AND SOILS

(Potentially Significant Impact)

Impact IS-1: Seismic-related liquefaction/lateral spreading.

Project development could result in damage to buildings and potential injuries to people due to construction in zones of potential liquefaction with the potential for lateral spreading to occur.

Mitigation Measure IS-1: Conduct a final structural analysis of the existing buildings and planned uses and occupancy to confirm structural and seismic upgrades necessary to meet State Historic Building Code requirements, and include those recommendations in building plans.

Mitigation Measure IS-2: Conduct site-specific geotechnical investigation in areas of new proposed structures and design and construct new buildings in accordance with the recommendations contained in the geotechnical report with regards to potential liquefaction, settlement, and other geotechnical constraints or hazards. Areas subject to liquefaction (or other sources of instability identified in the soils and geology reports) would be mitigated by appropriate means such as densification, and removal of the liquefiable soil layer; or by utilizing special foundation designs, as identified in the site-specific geotechnical reports.

Finding: The potentially significant impact of the project related to the geology and soils of the site will be mitigated to a less-than-significant level by the imposition of mitigation measures as described above. Changes or alterations have been required in or incorporated in the project, which avoid or substantially lessen the significant environmental effect as identified in the Final EIR.

Facts: The new proposed structures (the residential buildings, Art Center, and Ballet Theater) will be required to be constructed in accordance with the California Building Code for seismic protection. Buildings constructed in accordance with the latest edition of the California Building Code (CBC) should experience only minor damage. A structural evaluation of the existing buildings and occupancy with reuse was conducted for the City, which found that some structural and seismic safety upgrades would be required due to increases in the occupancy rating. For existing historical buildings, upgrades would be in accordance with the State Historical Building Code, based on planned use and/or occupancy. In accordance with City General Plan Seismic Policy 2.1, preparation of a geotechnical investigation will be required, and buildings designed in accordance with recommendations to protect against exposure to liquefaction. With design of new buildings in accordance with the latest edition of the California Building Code and recommendations of the geotechnical investigation (implementation of mitigation measures IS-1 and IS-2) potentially significant impacts related to seismic shaking and liquefaction would be mitigated to a less-than-significant level.

(D) HAZARDOUS MATERIALS

(Significant Impact)

Impact 4-1: Exposure to hazardous materials due to onsite soil contamination.

Future rehabilitation and reuse of the tannery buildings and construction of new buildings on the project site would expose new residents and other new users of the site to contaminated soils, which would create a significant hazard to the public, if existing soils are not properly remediated.

Mitigation Measure 4-1: Implement site remediation actions or require proof that such remediation actions have been implemented in accordance with the Remedial Action Plan, prepared under the direction of, and approved by, the California Department of Toxic Substances Control to remediate soil and groundwater contamination on the site. For some areas, no action will be recommended. The remediation plan will include, but not be limited to: soil excavation and offsite disposal, source area soil excavation and

capping and/or capping along for contaminated soils. The plan will also provide for groundwater remediation that could include monitoring the natural biodegradation already occurring at the site, and/or other more active technologies, including, but not limited to, soil vapor extraction or in0situ chemical oxidation. Additionally, the use of engineering controls (e.g., venting and/or use of geomembrane barriers beneath building foundations) will be recommended to minimize risks of methane-related explosion hazards.

Other measures will be required to ensure that the exposure scenarios evaluated in the risk assessment and Remedial Action Plan remain constant in the future. This will include land use restrictions, notification of the local water district, and notification to local well permitting authorities. This will ensure that groundwater containing chemicals at concentrations above drinking water standards is not used as a potable water source.

Mitigation Measure 4-2: Prepare and implement a Site-Specific Health and Safety Plan (HSP) to notify and ensure that construction and utility workers use safe work practices during ground-disturbing activities on the project site, including, but not limited to, the use of personal protective equipment (such as dust masks, gloves, coveralls, etc.). On-going monitoring, inspections, and training during construction shall be conducted to ensure that HSP is fully implemented. Measures will also be implemented to inform future utility workers of these safe practices. Alternately, utility lines could be installed in clean utility corridors.

Mitigation Measure 4-3: Install vapor barriers in existing tannery buildings that will be renovated and reused as part of the project. Barriers should be installed during renovations and prior to occupation of the reused buildings.

Finding: The environmental impacts resulting from exposure to hazardous materials due to soil contamination will be reduced to a less-than-significant level with the implementation of the proposed mitigation measures.

Changes or alterations have been required in, or incorporated into, the project, which avoid or substantially lessen the significant environmental effect as identified in the final EIR.

Facts: A Remedial Action Plan is being prepared in consultation with the California Department of Toxic Substances Control (DTSC); implementation of the Remedial Action Plan, in conjunction with the other mitigation measures below, would reduce the carcinogenic and non-carcinogenic risks to project-related workers, residents, and other uses to acceptable levels. DTSC is the lead agency responsible for approving the Remedial Action Plan and will conduct separate environmental review as may be required by CEQA to evaluate the environmental impacts of implementing the remediation Plan. The proposed residential building may provide an enclosed space for the accumulation of methane, which could create an explosive environment, requiring implementation of engineering controls (vapor barriers and venting) to minimize the risk

of explosion. With implementation of site remediation measures, exposure to hazardous materials will be reduced to a less-than-significant level.

(Potentially Significant Impact)

Impact 4-2: Exposure to hazardous materials in existing buildings.

Demolition and/or reuse of the former tannery building could expose construction workers and/or other project users to hazardous substances in building structures (e.g., asbestos, lead, PCBs and mold), which could cause a significant health hazard.

Mitigation Measure 4-4: Utilize deconstruction processes rather than demolition, wherever feasible, to minimize disturbance to hazardous substances. Remove all potentially friable asbestos prior to building demolition or any renovation and reuse that could disturb asbestos. Removal of such materials shall occur in accordance with the National Emissions Standard for Hazardous Air Pollutants (NESHAP) guidelines.

Mitigation Measure 4-5: Prior to demolition of structures constructed prior to 1978, removal all peeling and flaking paint and dispose of separately from other building debris, in accordance with current DTSC requirements. Any debris containing lead paint or coating must be disposed of at landfills that have the appropriate acceptance criteria. If such structures are to be renovated and reused they should be repainted with non-lead based paints.

Mitigation Measure 4-6: During demolition of structures constructed prior to 1978, follow the Cal/OSHA Lead in Construction Standard, Title 8 California Code of Regulations (CCR) 1532.1 requirements, which include using training, air monitoring, and dust control.

Mitigation Measure 4-7: Prior to demolition of structures constructed prior to 1978, remove all fluorescent light ballasts and tubes and dispose of in accordance with USEPA requirements.

Mitigation Measure 4-8: Dispose of all hazardous materials on the project site in accordance with local, state, and federal hazardous materials regulations.

Finding: The environmental impacts resulting from exposure to hazardous materials in existing buildings will be reduced to a less-than-significant level with the implementation of the proposed mitigation measures. Changes or alterations have been required in, or incorporated into the project, which avoid or substantially lessen the significant environmental effect as identified in the final EIR.

Facts: Demolition (proposed for a portion of the Finishing Building) and renovation and reuse (proposed for the remaining buildings) could result in release of asbestos, PCBs in fluorescent lights, and lead-based paint. These materials could cause significant health hazards to construction workers and project users. Implementation of standard procedures to remove and/or contain these materials would reduce this impact to a less-than-significant level. The City intends to use deconstruction processes, where feasible, to

minimize disturbance of hazardous substances. An asbestos removal permit will be required from the Monterey Bay Unified Air Pollution Control District.

(Potentially Significant Impact)

Impact 4-3: Generation of hazardous materials.

Project use of the live/work housing units and the art studios would result in the use of artist materials considered hazardous (i.e., paint thinners, solvents, etc.), which if not properly disposed of could be released into the environment exposing the public to health hazards.

Mitigation Measure 4-9: Require the project to include a central community disposal area where hazardous artist materials can be properly collected and stored prior to disposal. These materials would be picked up by the City or licensed contractor on a regular basis and ultimately disposed of in accordance with all applicable environmental regulations.

Mitigation Measure 4-10: Develop and implement an educational program for the Tannery Art Center that would inform artists that use hazardous materials about the proper storage and disposal of such materials as well as non-hazardous materials alternatives.

Finding: The environmental impacts related to use and disposal of hazardous materials from the proposed development will be reduced to a less-than-significant level with the implementation of the proposed mitigation measures.

Changes or alterations have been required in, or incorporated into, the project which avoid or substantially lessen the significant environmental effect as identified in the final EIR.

Facts: The live-work housing units and the art studios would result in the use and need to dispose of artist materials that may be considered hazardous (i.e., paint thinners, solvents, etc.). With proper storage and disposal to prevent release into the storm drain system of the landfill (implementation of mitigation measures 4-9 and 4-10), the impact can be mitigated to a less-than-significant level.

(Potentially Significant Impact)

Impact 4-4 Exposure of project population to adjacent hazards.

Project operation could expose residents, workers and other project workers to potential public health and safety hazards in the event of an accidental leak or exposure associated with the LCNG fueling station at the adjacent Metro Base site to the north.

Mitigation Measure 4-11: Develop and implement a preventative maintenance program which sets forth appropriate procedures for handling LCNG on the site. This program shall include measures such as training personnel on LCNG characteristics and safety procedures, use of protective personnel equipment, removal of ignition sources, and use

of explosion-proof electrical equipment in areas that may leak LCNG (in accordance with the National Electric Code 70 recommendations).

Mitigation Measure 4-12: Develop an emergency response plan for LCNG. Install and maintain an emergency shutdown (ESD) system with remote shutdown capabilities. The ESD should be readily accessible to personnel that access areas where LCNG pools or clouds could develop. Make emergency clothing available in the event of an emergency.

Mitigation Measure 4-13: Install and maintain a facility hazard detection system and train operators to make necessary equipment adjustments. Design the gas detection system to activate an alarm when a maximum of 20% of the lower flammability limit is reached, in accordance with Draft NFPA 57 standards.

Mitigation Measure 4-14: Develop and implement a preventative maintenance program that sets forth appropriate procedures for handling diesel on the site. This program shall include measures such as training personnel on safety procedures, use of protective equipment, and removal of ignition sources.

Mitigation Measure 4-15: Install and maintain a leak detection mechanism and conduct regular monitoring of leaks.

Mitigation Measure 4-16: If material is spilled, steps shall be taken to contain liquid and avoid discharges of untreated materials to streams or sewer systems. For small spills, non-combustible materials such as cat litter, dirt, sand or petroleum sorbent pad/pillows may be used. For large spills, spill areas should be diked with sand or dirt to contain material and cover sewer/drains. Liquid should be removed using grounded suction pumps. Spills or releases should be reported, as required, to the appropriate local, state and federal regulatory agencies.

Mitigation Measure 4-17: The final diesel tank shall be subject to the review of the City of Santa Cruz Fire Department.

Finding: The environmental impacts resulting from hazardous materials and contamination from the proposed development will be reduced to a less-than-significant level with the implementation of the proposed mitigation measures.

Implementation of Mitigation Measures 4-11 through 4-17 are the responsibility of the Santa Cruz Metropolitan Transit District, which were adopted by the District.

Facts: The Santa Cruz Metropolitan Transit District (SCMTD) owns property north of and adjacent to the Tannery Arts Center site on which a bus facility is planned. Two liquid natural gas (LNG) tanks, three CNG, high-pressure storage vessels, and a temporary diesel fuel tank will be sited on the SCMTD metrobasesite adjacent to the Tannery Arts Center site. Without appropriate controls, the use of the LNG can present potential risks to public health and safety if accidental spills or leaks occur. The SCMTD has evaluated the risks and hazards and adopted mitigation measures to reduce impacts to

a less-than-significant level. Implementation of Mitigation Measures 4-11 through 4-17 are the responsibility of the Santa Cruz Metropolitan Transit District.

(E) HISTORICAL RESOURCES

(Potentially Significant Impact)

Impact 5-1: Rehabilitation and reuse of historic buildings

Future rehabilitation and reuse of the five identified historical tannery buildings, which includes the relocation of one building, may materially impair their historical significance if the historic features of the buildings are not retained.

Mitigation Measure 5-1: Implement the recommendations identified by Architectural Resources Group in its March 2004, December 2004, and subsequent future planned reviews, in rehabilitating the five historic tannery buildings, including, but not limited to the following, which would ensure that rehabilitation meets the Secretary of the Interior's Standards for the Treatment of Historic Properties with Guidelines for Preserving, Rehabilitating, Restoring and Reconstructing Historic Buildings (Weeks and Grimmer, 1995).

- Retain and preserve the “character-defining features” of the buildings and site, as identified in the historical architectural report.
- Protect historic building materials by cleaning, reapplying protective coatings, retaining all exterior wood siding, and repairing/replacing deteriorated or missing features.
- Replace missing historic features if adequate documentation of historical appearance is available. Where documentation is unavailable, a new design for the missing feature should be used that is compatible with, but distinct from, the remaining character-defining historic features.
- Exterior and interior alterations and additions required for reuse of the buildings should not radically, change, obscure, or destroy character-defining forms, spaces, or materials.
- Building alterations may include cutting new entrances or windows on secondary elevations, and the creations of atriums or light wells to provide natural light in a manner that preserves the structural system and character-defining spaces and finishes.
- Preserve the post and beam construction and exposed trusses, which should continue to be exposed.

Finding: The environmental impacts resulting from rehabilitation and reuse of historic buildings will be reduced to a less-than-significant level with the implementation of the proposed mitigation measures. Changes or alterations have been required in or incorporated into the project, which avoid or substantially lessen the significant environmental effect as identified in the final EIR.

Fact: The project would rehabilitate and reuse 5 historic tannery buildings as part of the proposed Tannery Art Center complex. A review of preliminary rehabilitation measures was conducted for the City by Architectural Resources Group (ARG), in which specific

recommendations have been made to ensure consistency of rehabilitation efforts with the U.S. Secretary of the Interior's guidelines. With implementation of these recommendations (Mitigation Measure 5-1), alteration to existing historic buildings would be consistent historic rehabilitation guidelines and impacts would be reduced to a less-than-significant level.

(Significant Impact)

Impact 5-2: Relocation of historic building.

Planned relocation of historic building #4 (Restroom/Change Room) may not be consistent with historical guidelines to seek to retain historic structures in their original locations.

Mitigation Measure 5-2: Implement the recommendations as defined by the Architectural Resources Group in its March 2004 and December 2004 reviews to retain historic building 4 in its original location with possible incorporation into the proposed new Ballet Building. Implementation of Mitigation Measure 5-2 will reduce the impact to a less-than-significant level.

Finding: Significant historic resource impacts of the project (onsite relocation of an existing historic structure) can be mitigated to a less-than-significant level by imposition of a mitigation measures as described above. Changes or alterations have been required in or incorporated into the project, which avoid or substantially lessen the significant environmental effect as identified in the final EIR.

Facts: As currently proposed, Building 4 would be relocated to the interior of the site in front of the existing historic Kron residence. The preliminary historical structure review recommended that historic buildings be retained in their original location, as the building functions for workers, would have been placed out of sight of the main residence.

Although keeping the structure onsite is preferable over relocating it off-site or demolishing it, keeping it in its' original location is preferable. Implementation of Mitigation Measure 5-2 will reduce the impact to a less-than-significant level. However, it is not known whether it is feasible to retain the building in its original location given site designs, and thus the impact remains significant and unavoidable.

(Potentially Significant Impact)

Impact 5-3 Construction of new building

Construction of new buildings and other non-building improvements (i.e., fencing, lighting, landscaping, etc.) could materially impair the significance of the remaining historic buildings on the site, if these improvements result in the alteration of the immediate surroundings of these historic resources.

Mitigation Measure 5-3: Reduce building heights of proposed new buildings #9, 11 and 12 in order to ensure that new development is on a more compatible scale with that of the existing historical buildings.

Finding: Significant historical resource impacts of the project (effects of construction of new buildings adjacent to historic structures) can be mitigated to a less-than-significant level by the imposition of mitigation measures as described above. The impact would remain significant and unavoidable unless the above mitigation measure is fully implemented.

Facts: According to the State CEQA Guidelines, a project would have a significant impact on a historical resource due to physical demolition, destruction, relocation or alteration of the resource or its immediate surroundings such that the significance of the resource would be materially impaired. According to the rehabilitation recommendations, the “new residential buildings should be placed on the site so that the size and massing of the new construction and related site work has a harmonious relationship to the historic buildings and preserves the significant spaces between them.” The spatial relationship of the buildings and the spaces created between them are important to the historic character of the tannery complex. The rehabilitation recommendations also indicate that the materials used in the new construction should be compatible with the exterior materials of the remaining historic buildings. The proposed construction of new buildings would not alter the identified character-defining spaces created between buildings. The historical review found that the proposed Building #7 (Ballet Building) is compatible with adjacent historic buildings regarding scale, massing and use of materials.

However, the other new buildings (Building #9 [Arts Center] and Buildings #11 and 12 [the residential buildings] were found to be of a greater scale than adjacent historic Buildings, and that the proposed building heights would be a significant addition to the site. The review did indicate that the building materials, design and massing were compatible and appropriate with the site historic buildings, and that the plan provides significant pedestrian passageways between buildings. The new buildings would not directly impact the existing historical resources, but reduction in height was recommended to reduce building scale in relation to existing historic structures to provide better compatibility with historic resources and to reduce the impact to a less-than-significant level. For the residential buildings, a reduction in height would be one story, but an entire story would not need to be eliminated from the Arts Center due to the presence of the existing Finishing Building that the Art Center will replace.

F. HYDROLOGY AND WATER QUALITY

(Potentially Significant Impact)

Impact IS-2: Water quality impacts associated with urban pollutants.

Development of additional surface parking areas would result in potential water quality issues associated with the discharge of urban pollutants into the San Lorenzo River, via existing storm drains.

Mitigation Measure IS-3: Require installation of oil/grease traps, and implement regular maintenance activities (i.e., seeping, cleaning storm water inlets, litter control) to prevent soil, grease, and letter from accumulating on the project site and contaminating surface

runoff and regular sweeping of parking lots. Incorporate bioswales and other Best Management Practices within the planned parking lot landscaped areas, which consist of plantings that filter oils and debris out of runoff, in accordance with the City's Storm water and Urban Runoff Pollution control Ordinance.

Finding: The impacts on hydrology (water quality) resulting from the proposed development will be reduced to a less-than-significant level with the implementation of the proposed mitigation measure. Changes or alterations have been required in, or incorporated into, the project, which avoid or substantially lessen the significant environmental effect as identified in the final EIR.

Facts: Development of additional surface parking areas would result in potential water quality issues associated with urban pollutants, and would also represent an expanded parking area over what currently existing on the site. The site drains into storm drains that flow into the San Lorenzo River. The parking lot design should incorporate use of oil and grease traps and other measures to minimize downstream water quality degradation. Incorporation, use and implementation of storm water best management practices will be required by existing City regulations and in conjunction with mitigation measure IS-3, will reduce the impact to a less-than-significant level.

G. NOISE

(Potentially Significant Impact)

Noise-1: Noise compatibility.

Project residents and occupants could be exposed to noise levels that potentially exceed noise-land use compatibility standards due to proximity to Highway 1 and the fact that the residential units will be built above grade.

Mitigation Measure IS-4: Require preparation of an acoustical study and design buildings in accordance with recommendations in order to minimize interior noise impacts to planned residential structures.

Finding: The noise impacts resulting from the proposed development will be reduced to a less-than-significant level with the implementation of the proposed mitigation measure.

Changes or alterations have been required in, or incorporated into, the project which avoid or substantially lessen the significant environmental effect as identified in the final EIR.

Facts: One of the new residential buildings is located within an area that is potentially exposed to exterior noise levels between 60 and 65 decibels, primarily due to the proximity of Highway 1. According to the City's General Plan, this level is considered a conditionally acceptable noise exposure for multi-family residential uses. Conventional construction with windows closed will typically result in reduced interior noise levels, but implementation of other design recommendations would require an acoustical study.

H. TRANSPORTATION AND CIRCULATION

(Significant Impact)

Impact 6-1: Traffic congestion.

Traffic resulting from the project (without and with the park-and-ride lot) would result in increased traffic that would not represent substantial increases, except at the Highway 1/Highway 9 and Chestnut/Mission intersections.

Mitigation Measure 6-1: Require project applicant to pay fair share traffic impact fees being developed to help fund the Highway 1/Highway 9 intersection improvement, which includes:

- a. Restripe eastbound Highway 1 as two left turn lanes, two through lanes, and one through/right turn lane.
- b. Widen northbound River Street to two lanes north of Highway 1.

Mitigation Measure 6-2: Require project applicant to pay fair share contribution toward future improvements to the Chestnut/Mission intersection as determined by City studies and Caltrans.

Mitigation Measures 6-3: Prepare and implement Transportation Demand Management measures to achieve vehicle occupancy goals established in the City's Trip Reduction Program Ordinance (Chapter 10.46 of the Municipal Code), including but not limited to: provision of secure, covered bicycle parking; provision of transit access; coordination of ride-sharing; provision of transit information; provision of preferential parking for carpoolers; and provision of employee showers and lunch areas in buildings with more than 50 people.

Implementation of mitigation measure 6-3 will help reduce project trips, but will not reduce impact to a less-than-significant level. Implementation of mitigation measure 6-1 and 6-2 will reduce the project share of traffic to impacted intersections. However, until improvements at regional intersections are funded and implemented, impacts to the Highway 1/Highway 9 and Chestnut/Mission intersections will remain temporarily significant and unavoidable.

Finding: The transportation and circulation impacts from the proposed development cannot be reduced to a less-than-significant level by the imposition of mitigation measures, as described above. Therefore, the impact would remain significant and unavoidable with implementation of the project. Changes or alterations have been required in or incorporated into the project, which would lessen the significant environmental effects identified in the final EIR, but not to a less-than-significant level.

Facts: With the addition of project traffic, the River Street (Highway 9)/Highway 1 intersection would experience a decrease in level of service from D to E during the AM peak hour and from E to F during the PM peak hour under both project scenarios. The City of Santa Cruz LOS standard for the River Street/Highway 1 intersection is F based on the existing General Plan, while the Caltrans standard is a transition between LOS C

and D. For other city intersections that operate at unacceptable levels of service (E or F), the City considers project impacts to be significant if congestion will measurably worsen at the intersection, which is considered to be a 3% increase in trips at the affected intersection. The City has used the 3% criteria for significance of trip contribution at existing impacted intersections, in part based on directives in the City's General Plan to accept a certain level of congestion during peak hour, and also to reflect variations in daily traffic and traffic counts. The proposed project would contribute an approximate 3.4% increase in trips to the Highway 9/Highway 1 intersection. Thus, project traffic increases would be considered significant under City criteria as it would exceed 3% of the existing traffic volumes, and the decrease in LOS from D to E in the AM peak hour would also be considered significant under Caltrans standards.

I. CUMULATIVE IMPACTS

The proposed project would contribute to significant cumulative impacts related to historical resources, traffic and water supply when combined with other impacts of other cumulative development.

Historical Resources. Cumulative development could result in a potentially significant cumulative impact upon historical resources. However, cumulative projects will be reviewed and mitigated to require that alternations are consistent with historical standards, resulting in less-than-significant historical resource impacts.

Traffic. Cumulative development would result in a potentially significant cumulative impact upon intersection levels of service at the Highway 1/Highway 9 and Chestnut/Mission intersections. The proposed project and other cumulative projects affecting these intersections will be required to contribute impact fees or fair-share contributions to identified improvements for these intersections. The improvements, however, may not be completely funded or in place as cumulative development occurs. Therefore, the cumulative traffic impacts at these intersections would be considered a temporary significant and unavailable impact. However, with the project's payment of traffic impact fees and air share contributions, the project's incremental effects to cumulative traffic impacts would not be cumulatively considerable.

Water Supply. Cumulative development, including the proposed Tannery Arts enter, would result in a cumulative water demand of approximately 149 million gallons per year (MG/YR), which would be within the city's estimated remaining water supply capacity of 300 MG/Yr. There are available supplies to serve the currently planned cumulative development, except during droughts as discussed below, although cumulative water demand represents approximately one-half of the estimated remaining water supply capacity of 300 MG/Yr. Further review of long-term City growth and water demand/supply projections would be warranted as part of the General Plan Update process that is currently being initiated by the City.

Cumulative development would result in significant cumulative water impact as it results in additional demand on a system that does not have adequate water supplies during a

drought condition. The project's contribution would be considerable, but would be minimized with the use of low-flow fixtures. The City currently is considering the development of a desalination facility, and environmental review is underway. The facility would provide a supplemental water supply during period of drought. Until improvements are funded, the impact remains temporarily significant and unavailable, although the impact occurs only on an intermittent basis. (A significant shortage occurs on average about 1 out of every 10 years [City of Santa Cruz Water Department, March 2004]). In the absence of site-specific environmental analyses for a desalination plant, it is conservatively assumed that construction of a water supply project to meet existing and cumulative demands during a drought could result in significant environmental impacts that would require mitigation.

Mitigation Made a Condition of Funding

All of the mitigation measures set forth in the findings above have been adopted by the Lead Agency, the Redevelopment Agency for the City of Santa Cruz. As a Responsible Agency, CCHE makes them a condition of funding.

Modifications to the mitigation measures may be made by the City in the following circumstances:

- a. The mitigation measure included in the EIR and the Mitigation Monitoring Program is no longer required because the significant environmental impact identified in the EIR has been found not to exist, or to occur at a level which makes the impact less than significant as a result of changes in the project, changes in conditions of the environment, or other factors.
OR
- b. The modified or substitute mitigation measure provides a level of environmental protection equal to or greater than that afforded by the mitigation measure included in the EIR and these Findings, and the modified or substitute mitigation measures do not have significant adverse effects on the environment in addition to or greater than those which were considered in the EIR.

The Redevelopment Agency for the City of Santa Cruz shall inform the Executive Officer of CCHE of any change in mitigation measures.

Mitigation Reporting

The Redevelopment Agency for the City of Santa Cruz has adopted a Mitigation Monitoring and Reporting Plan. City staff will be responsible for monitoring and reporting on the mitigation measures. CCHE will require the City to provide copies of its mitigation reporting to the Executive Officer of CCHE on a quarterly basis, until the completion of construction.

Statement of Overriding Considerations

The Redevelopment Agency for the City of Santa Cruz has adopted the following Statement of Overriding Considerations:

As set forth in the preceding sections, the Redevelopment Agency's approval of the Tannery Arts Center project will result in environmental impacts that cannot be substantially lessened or avoided.

The following adverse impacts of the project are considered significant and unavailable based on the FEIR, and conclusions, modifications required of the project, and findings of Redevelopment Agency made at the June 14, 2005 public hearing:

- Impact 3-1: Exposure to flood hazards. Project development will expose new and existing buildings and their occupants to flood hazards.
- Impact 5-3: Construction of new buildings. Construction of new buildings and other non-building improvements (i.e., fencing, lighting, landscaping, etc.) could materially impair the significance of the remaining historic buildings on the site, if these improvements result in the alteration of the immediate surroundings of these historic resources.
- Impact 6-1: Traffic congestion. Traffic resulting from the project (without and with the park-and-ride lot) would result in increased traffic that would not represent substantial increases, except at the Highway 1/Highway 9 and Chestnut/Mission intersections.

The City finds that the development of the site for an art center and affordable artist housing is consistent with the City's General Plan Community Design policy 1.1 that encourages infill and intensification of land uses with exiting areas. The residential units support the City's Housing Element goals and policies that encourage diversity in housing types and affordability levels (Goal 1.0), increase affordable housing supply (Goal 2.0). The Arts Center also is consistent with General Plan Cultural Resources Goal CR4 that supports and encourages visual and performing arts exhibits, events, festivals and classes.

The City finds that the economic, social and other benefits, which would result from development of this project, outweigh the unavoidable environmental impacts identified above. These considerations are described below. In making this finding, the City has balanced the benefits of the proposed project against its unavoidable environmental impacts and has indicated its willingness to accept these risks.

- The project will provide 100 units of affordable housing for artists and their families with low and very low incomes, who are being priced out of the housing market and either live in their workplace or leave the area.

- The 100 planned affordable housing units will meet approximately 12% of the City's housing production objective for low and very low income households targeted between 2002 and 2007 in the City's Housing Element.
- The arts are an important part of the economic base of Santa Cruz and this project will be the biggest development of the arts in Santa Cruz. The City and County are losing arts to other more affordable areas in the Bay area and the Project will provide affordable housing, studio space and rehearsal and performances space to retain this valuable element of our community. Non-profit organizations will have stable and reliable place for their offices and activities. The project will provide a centralized location for artists to work, live and collaborate.
- The project will result in the development of a destination point for the promotion of cultural tourism in Santa Cruz thus adding to the economic base. Events such as Shakespeare Santa Cruz, Cabrillo Music Festival and Open Studios bring new visitors to the area, and tourism is one of the key economic contributors in the City. With the unique artist center project will contribute significantly to the City's economy by providing a unique tourist attraction unlike any in the country thereby contributing to the City's transient occupancy tax, sales tax and admissions tax revenues all going to the City's General Fund.
- The project will facilitate preservation of historically significant buildings and Santa Cruz landmark the Salz Tannery, and prevent further deterioration of this historic resource.
- The project will construct the bicycle/pedestrian pathway adjacent to the river that will eventually provide a link to other existing and planned facilities and will also provide access to the river area.
- Traffic improvement designs are underway and the project will pay its fair share toward the improvements.
- While measures have been included to lessen these impacts, there is no feasible way to avoid these significant adverse impacts and meet the objectives of the project without eliminating key project components such as the residential units or Arts Center.

The above statements of overriding considerations are consistent with, and substantially advance the City of Santa Cruz' General Plan.

CCHE has independently considered the significant and unavoidable environmental impacts of the proposed project and concurs with the statement above. **For the reasons given above, CCHE finds that economic, legal, social, technological, or other benefits of the project outweigh the unavoidable adverse environmental effects of the project, and the adverse environmental effects are considered acceptable when these benefits of the project are considered.**

